

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name PUTNAM DISTRICT LIBRARY	County BARRY
Fiscal Year End 3-31-06	Opinion Date 10-31-06	Date Audit Report Submitted to State 11-8-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) FOOTE AND LLOYD, C.P.A.s		Telephone Number (269) 962-7518	
Street Address TWO WEST MICHIGAN, SUITE 210		City BATTLE CREEK	State MI
		Zip 49017	
Authorizing CPA Signature <i>Charles W. Foote</i>		Printed Name CHARLES W. FOOTE	License Number 1101007397

**PUTNAM DISTRICT LIBRARY
NASHVILLE, MICHIGAN**

**REPORT OF AUDIT
AS OF
MARCH 31, 2006**

**FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

PUTNAM DISTRICT LIBRARY

TABLE OF CONTENTS

Contents

Report Letter	1
Management's Discussion and Analysis	2-3
Basic Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Assets	4
Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance/ Statement of Activities	5
Notes to the Financial Statements	6-9
Required Supplementary Information	
Budgetary Comparison Schedule	10
Letter of Comment and Recommendation	11

Foote and Lloyd

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Putnam District Library
Nashville, Michigan

We have audited the governmental funds balance sheet/statement of net assets of Putnam District Library as of March 31, 2006, and the related statement of governmental fund revenue, expenditures and changes in fund balance/statement of activities for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Putnam District Library as of March 31, 2006, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
October 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Balance Sheet/Statement of Net Assets shows the financial position of the Putnam District Library at the close of March 31, 2006. The Statement of Revenue, Expenditures and Changes in Fund Balance/Statement of Activities shows the results of the Library's activities during the fiscal year then ended. The Statement of Support, Revenues, Expenditures & Changes in Fund Balance shows the relationship of the original budget, the final (amended) budget and the actual activity for the fiscal year.

The Condensed Financial Information from the Government-wide Financial Statements follows:

PUTNAM DISTRICT LIBRARY CONDENSED FINANCIAL INFORMATION FROM THE GOVERNMENT-WIDE FINANCIAL STATEMENTS MARCH 31

	<u>2006</u>	<u>2005</u>
Total Assets	<u>373,611</u>	<u>358,706</u>
Total Liabilities	2	832
Net Assets: Capital Assets Net of Related Debt	2,705	2,864
Restricted	15,000	23,662
Temporarily Restricted	0	0
Unrestricted	<u>355,904</u>	<u>331,348</u>
Program Revenues: Fines, Fees, Rentals and Sales	2,958	3,498
Other	178	862
Grants	0	1,525
General Revenues: Property Taxes	43,758	41,671
State Aid and Penal Fines	21,360	16,039
Investment Earnings	9,073	5,673
Contributions for Operating	<u>204</u>	<u>772</u>
Total Revenues	77,531	70,040
Program Expenses by Function: Library	61,796	64,528
Total Expenses	<u>61,796</u>	<u>64,528</u>
Change in Net Assets	15,735	5,512
Beginning Net Assets	357,874	353,887
Change in Temporarily Restricted Net Assets	<u>-</u>	<u>(1,525)</u>
Ending Net Assets	<u>373,609</u>	<u>357,874</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
Page 2

The 2005-2006 fiscal year for Putnam District Library was satisfactory even though we had to do some careful budgeting in order to satisfy the needs and requests of our patrons and offer the same quality of programs to our children and senior programs.

Again this year, we are using interest from two CDs. The interest from one goes directly into a savings account earmarked for unexpected computer expenses. The second CD interest is deposited in a checking accounting to be used as needed. With expected minimum wage increase in the 2006-07 fiscal year, that interest could very well be entered into the wage bracket.

Each months' financial report at board meetings shows a detailed account of our budget balance which keeps us aware of our financial standing.

A conscientious staff and volunteer board contribute to our success.

PUTNAM DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
MARCH 31, 2006

	Governmental Fund Balance Sheet Modified Accrual Basis	Adjustments	Government- Wide Statement of Net Assets Accrual Basis
Assets			
Cash and Cash Equivalents	332,227	-	332,227
Investments	33,864	-	33,864
Receivables - Property Taxes	4,815	-	4,815
Fixed Assets - Net	<u>-</u>	<u>2,705</u>	<u>2,705</u>
TOTAL ASSETS	<u>370,906</u>	<u>2,705</u>	<u>373,611</u>
Liabilities			
Accounts Payable and Accrued			
Liabilities	<u>2</u>	<u>-</u>	<u>2</u>
Total Liabilities	<u>2</u>	<u>-</u>	<u>2</u>
Fund Balance/Net Assets			
Fund Balances - Reserved			
Permanently Reserved	15,000	(15,000)	
Temporarily Reserved	-	-	
Fund Balances - Unreserved			
Undesignated	325,904	(325,904)	
Designated	<u>30,000</u>	<u>(30,000)</u>	
Total Fund Equities	<u>370,904</u>	<u>(370,904)</u>	
Total Liabilities and Fund Balance	<u>370,906</u>		
Net Assets			
Invested in Capital Assets (net of any related debt)		2,705	2,705
Restricted		15,000	15,000
Temporarily Restricted		-	-
Unrestricted		<u>355,904</u>	<u>355,904</u>
Total Net Assets		<u>373,609</u>	<u>373,609</u>

The Notes to Financial Statements are an integral part of this statement.

PUTNAM DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

	Governmental Fund Balance Sheet Modified Accrual Basis	Adjustments	Government- Wide Statement of Activities Accrual Basis
REVENUE			
Property Taxes	43,758	-	43,758
State Aid	8,208	-	8,208
Penal Fines	13,152	-	13,152
Interest on Investments	9,073	-	9,073
Contributions and Donations	204	-	204
Library Fines, Fees, Rentals and Sales	2,958	-	2,958
Other	178	-	178
Operating Grants	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	77,531	-	77,531
EXPENDITURES			
Salaries	33,217	-	33,217
Fringe Benefits	2,550	-	2,550
Supplies	4,104	-	4,104
Library Books and Materials	6,966	-	6,966
Dues	4,466	-	4,466
Program Expenses	349	-	349
Repair and Maintenance	238	-	238
Professional Fees	1,236	-	1,236
Communications	2,709	-	2,709
Travel	68	-	68
Insurance	1,138	-	1,138
Utilities	4,474	-	4,474
Miscellaneous	122	-	122
Capital Outlay	-	-	-
Grants	-	-	-
Depreciation	<u>-</u>	<u>159</u>	<u>159</u>
TOTAL EXPENDITURES	<u>61,637</u>	<u>159</u>	<u>61,796</u>
EXCESS OF REVENUES OVER EXPENDITURES	15,894	(159)	15,735
FUND BALANCE - Beginning of Year	355,010	2,864	357,874
Change in Temporarily Restricted Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - End of Year	<u>370,904</u>	<u>2,705</u>	<u>373,609</u>

The Notes to Financial Statements are an integral part of this statement.

PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF REPORTING ENTITY

The Putnam District Library is, for financial reporting purposes within generally accepted accounting principles, an independent governmental entity that was formed jointly by local units of government to provide library services to residents of the Village of Nashville and surrounding townships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Putnam District Library conform to generally accepted accounting principles as applicable to public libraries.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current portion or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Unrestricted Operating Fund - Represents expendable funds which may be used for any purpose in the operation of the Library at the discretion of the Board of Trustees.

Use of Resources - It is the Library's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Inexhaustible Collections and Books - Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them. Accessions and de-accessions during the fiscal year were not significant. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and Equipment	5 - 20 years
Improvements	10 - 20 years

**PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 3 - BUDGETARY CONSIDERATIONS

PA 621 of 1978, section 18(1), as amended, provided that a local unit of government such as the Library shall not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2006, total expenditures were not in excess of the total budget, and there is no fund deficit.

The only reconciling item between budgetary information and GAAP information is the reclassification of any capital outlay to fixed assets and the related depreciation.

NOTE 4 - RELATIONSHIP WITH OTHER GOVERNMENT UNITS

Under State Treasury Guidelines, the Library is a district library and is not a component unit of Castleton Township, Maple Grove Township, or the Village of Nashville and is not reported in any of those audits as such.

NOTE 5 - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the Library are at four banks in the name of the Library. Act 217, PA 1982, authorizes the Library to deposit and invest in the accounts of the federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States Government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Library's deposits are in accordance with statutory authority.

**PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

**NOTE 5 - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS AND INVESTMENTS
(Continued)**

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	308,422	308,422
Uninsured and Uncollateralized	<u>23,805</u>	<u>26,437</u>
Total Deposits	<u>332,227</u>	<u>334,859</u>

NOTE 6 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Other Capital Assets:				
Furniture and Equipment	<u>3,182</u>	<u>-</u>	<u>-</u>	<u>3,182</u>
Total	3,182	-	-	3,182
Accumulated Depreciation	<u>(318)</u>	<u>(159)</u>	<u>-</u>	<u>(477)</u>
Net Book Value	<u>2,864</u>	<u>(159)</u>	<u>-</u>	<u>2,705</u>

NOTE 7 - REVENUE

A major source of revenue for the Library is a voted millage of .5000 mills voted by the residents of Castleton and Maple Grove Townships. The millage is collected by the Townships and forwarded to the Library.

NOTE 8 - INSURANCE RISK

The Library's insurance for Workers' Compensation, General Liability and Property Loss and Fleet Insurance is carried by an insurance company. The Library is not self-insured other than for minimal deductibles. No known material claims are outstanding.

**PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

NOTE 9 - RESTRICTED (PERMANENTLY RESERVED) FUND BALANCE

The amount thus noted is in a bank certificate of deposit the principal of which is to remain untouched. The earnings that it generates can be used for operations.

**Required
Supplementary
Information**

**PUTNAM DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Beginning of Year Fund Balance				
Resources (Inflows)	355,010	355,010	355,010	-
Property Taxes	41,684	41,684	43,758	2,074
Penal Fines	9,000	13,152	13,152	-
State Aid	5,500	5,500	8,208	2,708
Contributions	1,500	1,500	204	(1,296)
Book Fines & Sales, Fax, Copy Machine & Other	600	600	3,136	2,536
Interest Earned	4,000	4,000	9,073	5,073
Grant Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts Available for Appropriation	417,294	421,446	432,541	11,095
Charges to Appropriations (Outflows)				
Books, Periodicals, Audio-Visual				
Material	4,000	5,000	6,966	(1,966)
Seminars, Workshops & Travel	400	400	68	332
Program Expenses	800	800	349	451
Co-Op Dues	3,200	3,250	4,121	(871)
Salaries	35,500	35,500	33,217	2,283
Payroll Taxes & Fringe Benefits	-	2,500	2,550	(50)
Insurance	1,350	1,264	1,138	126
Office & Postage	5,000	5,000	4,104	896
Dues	900	900	345	555
Utilities	4,400	4,400	4,474	(74)
Repairs & Maintenance	1,000	1,000	238	762
Professional Fees	1,200	1,236	1,236	-
Other	100	100	122	(22)
Communication	2,600	3,252	2,709	543
Capital Outlay	-	-	-	-
Grant Expenditures	<u>400</u>	<u>400</u>	<u>-</u>	<u>400</u>
Total Charges to Appropriations	<u>60,850</u>	<u>65,002</u>	<u>61,637</u>	<u>3,365</u>
Budgetary Fund Balance - End of Year	<u>356,444</u>	<u>356,444</u>	<u>370,904</u>	<u>14,460</u>

The Notes to Financial Statements are an integral part of this statement.

Foote and Lloyd

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LETTER OF COMMENT AND RECOMMENDATION

To the Board of Putnam District
Library
Barry County, Michigan

This letter is being written as part of the audit for the year ended March 31, 2006, of the financial records of Putnam District Library, Barry County, Michigan. We have forwarded to the State of Michigan their required copies of the audit report.

We thank you for the opportunity of performing your audit for the year ended March 31, 2006. We found the records to be in satisfactory condition and feel that your Treasurer is doing a good job in keeping the financial records. An original budget was adopted for the fiscal year and was amended periodically as needed. In theory, the budget approved and amended by the Board authorizes the expenditures that are made. Thus, the budget should be amended when it is anticipated that an expenditure will exceed the amount which has been budgeted. You have continued to improve in this area, however, a bit more care and attention is still needed as there were some expense categories which exceeded the budget.

We wish to thank you for the opportunity of serving you again this year and for the cooperation and assistance we received from all persons contacted during the audit. Please feel free to call us if you have any questions or need assistance.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
October 31, 2006